

## REPORT TO CABINET

16 May 2018

<b>Subject:</b>	<b>The Redevelopment of the Carrington Road/ School Road Area, Friar Park</b>
<b>Presenting Cabinet Member:</b>	<b>Councillor Paul Moore – Cabinet Member for Regeneration and Economic Investment Councillor Kerrie Carmichael – Cabinet Member for Housing</b>
<b>Director:</b>	<b>Executive Director – Resources – Darren Carter Executive Director – Neighbourhoods – Dr Alison Knight Director – Housing and Communities – Alan Caddick</b>
<b>Contribution towards Vision 2030:</b>	
<b>Key Decision:</b>	Yes
<b>Forward Plan (28 day notice) Reference:</b>	SMBC16176
<b>Cabinet Member Approval and Date:</b>	Cllr Paul Moore Cllr Kerrie Carmichael
<b>Director Approval:</b>	Dr Alison Knight; Alan Caddick Darren Carter
<b>Reason for Urgency:</b>	Urgency provisions do not apply
<b>Exempt Information Ref:</b>	Exemption provisions do not apply
<b>Ward Councillor (s) Consulted (if applicable):</b>	Cllr Simon Hackett
<b>Scrutiny Consultation Considered?</b>	Scrutiny have not been consulted
<b>Contact Officer(s):</b>	Tammy Stokes – Spatial Policy and Development Manager <a href="mailto:tammy_stokes@sandwell.gov.uk">tammy_stokes@sandwell.gov.uk</a> Joshua Singh – Planning Assistant, Regeneration <a href="mailto:joshua_singh@sandwell.gov.uk">joshua_singh@sandwell.gov.uk</a> Alan Martin – Housing Partnerships Manager <a href="mailto:alan_Martin@sandwell.gov.uk">alan_Martin@sandwell.gov.uk</a>

## DECISION RECOMMENDATIONS

### That Cabinet:

- a. Authorise the Director – Monitoring Officer to acquire, on Compulsory Purchase terms if necessary, any outstanding leasehold and/or any subsisting interest in respect of the shops on Carrington Road / School Road, Friar Park, Wednesbury, (As Appendix 2, Phase 1) and otherwise on terms and conditions to be agreed by the Director – Regeneration & Growth.
- b. Subject to (a) above, authorise the Executive Director – Resources to allocate adequate investment from the Housing Revenue Account capital investment programme to fund the acquisition of the remaining interests (As Appendix 2, Phase 1).
- c. Authorise the development of approximately 0.42 hectares of land off Friardale Close, Friar Park, shown for identification purposes only at Appendix 3 (Phase 2) with a new-build council housing scheme circa 12 council bungalows subject to planning consent;
- d. Subject to (c) above and to grant funding from Shared Ownership and Affordable Homes Programme administered by Homes England (formerly Homes and Communities) being secured, authorise the Executive Director – Resources to allocate adequate resources to fund Phase 2 of the development. (As Appendix 3 Phase 2).
- e. Authorise the development of approximately 0.188 hectares of land off School Road, Friar Park, including the demolition of 16a/18 School Road and the construction of the new retail block to deliver 225 sq m of retail accommodation with associated first floor council apartments and parking court on School Road shown for identification purposes only at Appendix 3 (Phase 3) subject to planning consent.
- f. Subject to (e) above, authorise the Executive Director – Resources to allocate adequate resources from the Council Programme – Regeneration and Growth to fund the delivery of Phase 3.
- g. subject to (c,d, Phase 2 and e,f Phase 3) above, authorise the Director – Regeneration & Growth, in consultation with the Executive Director - Resources, Director – Housing and Communities and the Section 151 officer to prepare tendering documentation, in accordance with the public procurement rules, the Council's procurement and financial regulations, to procure a contractor/contractors to develop, on behalf of the Council, the proposed housing scheme and the retail/flatted scheme (Phases 2 and 3);

- h. subject to (g) above, authorise the Director – Regeneration and Growth to enter into or execute under seal any financial agreement in relation to the Homes England grant on terms and conditions to be agreed by the Executive Director - Resources;
- i. subject to (c,d,e,f and g above) the Director – Monitoring Officer enter into or execute under seal any documentation in relation to award of the contract and/or development/partnership agreement, Homes England developer status, licence, undertaking, framework joining agreement and any other agreements with the procured contractor/s and with Homes England, as may be deemed necessary to facilitate development of the site with a housing scheme and the retail/flatted scheme (Phases 2 and 3); on terms and conditions to be agreed by the Director - Regeneration and Growth;
- j. subject to c,d,g and i above and following practical completion of each property, authorise the Director - Housing and Communities to manage and let the premises in Phase 2 in accordance with the Council's housing allocation policy;
- k. subject to e,f,g and i above and following practical completion of each property, authorise the Director - Regeneration and Growth to let and manage the retail premises outlined in Phase 3 as part of the Council's leased commercial estate;
- l. subject to e,f,g and h above and following practical completion of each property, authorise the Director – Housing and Communities to let and manage the residential accommodation outlined in Phase 3 in accordance with the Council's existing housing allocations policy;
- m. subject to e,f,g and h the existing leaseholders of the retail premises be given first opportunity to submit an offer to lease any new retail premises built and so long as the offer meets the aspirational terms and conditions required by the Director – Regeneration, the Director - Monitoring Officer be authorised grant the successful offeror a lease of the property on the terms required Retail premises to be offered to existing retail leaseholders displaced by the acquisition by agreement and residential premises in accordance with the Council's housing allocation policy.
- n. in the event that the Director – Regeneration and Growth is unable to agree terms for acquisition of any leasehold and/or subsisting interest on Carrington Road (Phase 1) a further report be presented to Cabinet for consideration.

- o. that following the acquisition of the remaining leasehold and/or subsisting interests on Carrington Road a further report will be presented to Cabinet with detailed project design and costs for Phase 4 of the scheme redevelopment 0.158 hectares with council owned homes. (As shown for identification purposes in Appendix 1).
- p. authorise the Director – Regeneration and Growth to appropriate any land and/or property to be managed as part of the Council’s leased commercial estate from the Housing Revenue Account (HRA) to the General Fund(GF) and the Executive Director – Resources adjust the accounts accordingly
- q. That the following action points identified within the appraisal report be implemented to reduce any risk to the Council:
- r. A full appraisal has been undertaken by Strategic Finance. The appraisal process recorded a score of 68%. Some risks have been identified as a result of the appraisal and action points recommended to mitigate these risks.
- Undertake further financial analysis on the retail premises, including whole life costings and return on investment to ensure the proposals offer value for money to the Council.
  - Produce a detailed project plan to assist in ensuring that the project can be delivered in a timely manner, in accordance with Homes England’s timescales and to minimise the risk of repayment of grant funding.
  - Produce a detailed governance structure for the project and determine roles and responsibilities for monitoring the contract with Accord Housing Association.
  - Determine how proposed outcomes will be measured and reported.
  - Ensure that the use of Right to Buy receipts are kept under review to ensure that the use of funding sources available to the Council are maximised.

## 1 PURPOSE OF THE REPORT

- 1.1 The purpose of the report is to seek approval to implement a comprehensive development scheme at Carrington Road/School Road, Friar Park. The Carrington Road/School Road shops has been in a state of decline for several years. It's comprehensive redevelopment is essential to ensure social, economic and environmental improvements in line with Sandwell's 2030 vision. The sites re-development will improve the appearance of the area, reduce anti-social behaviour, improve the quality of local convenience provision through providing modern retail units, and provide new council house accommodation.
- 1.2 The scheme itself will be delivered in 4 distinctive phases of development:
- Phase 1 - Acquisition of the outstanding head leasehold interests on Carrington Road to bring the development site into the complete freehold ownership of the Council:
  - Phase 2 - The construction of 12 bungalows and associated improvements to the public realm on Friardale Close.
  - Phase 3 - The demolition of 16a / 18 School Road and the construction of the new retail block to deliver 225 sq m of retail accommodation with associated first floor council apartments and parking court on School Road.
  - Phase 4 - Once negotiations have been completed to acquire the leasehold interests and the properties are in full council ownership then demolition of the remaining units will commence. The tenants of 38 / 38a Carrington Road subject to new lease arrangements being agreed will be offered relocation into the new retail block. The last phase of council house build will also be completed to deliver a number of units across the remaining area of the site on Carrington Road.

## 2 IMPLICATION FOR THE COUNCIL'S AMBITION

- 2.1 The proposals in this report contribute to achieving the council's ambitions as follows:

***People, Ambition 3 – Our workforce and young people are skilled and talented, geared up to respond to changing business needs and to win rewarding jobs in a growing economy***

- The development of this scheme will support **investing in businesses, people and jobs** that will create wealth and tackle poverty. It will also actively promote Think Sandwell with the inclusion of apprenticeships and training opportunities within the contractual arrangements.

***Ambition 5 – Our communities are built on mutual respect and taking care of each other, supported by all the agencies that ensure we feel safe and protected in our homes and local neighbourhoods***

- The re-use of underutilised land and demolition of derelict properties and the rebuilding of new council retail units and homes at this location of Friar Park will address longstanding anti-social behaviour issues and have a positive impact on the fortunes of this deprived neighbourhood. The visual transformation will create a new sense of place which has been lacking for many years from Carrington Road thus offering a better environment for local residents to operate within removing the anti-social behaviour attributed to dereliction and vacant land.

***Place Ambition 7 – We now have many new homes to meet a full range of housing needs in attractive neighbourhoods and close to key transport routes.***

- The redevelopment of the site for council bungalows, houses and flats in a key local centre within the heart of Friar Park will give local residents access to new housing accommodation in close proximity to key transport routes including the M6, A4031 - Walsall Road and Tame Bridge Parkway Rail station.
- The redevelopment of this under-utilised site with modern residential accommodation will improve the immediate area, public realm, street scene and the asset base of the borough by providing much needed affordable housing.
- The provision of this proposed scheme will provide **Homes that meet people's needs**. Sandwell's population is growing and people need quality housing that fits their individual requirements.
- The development of this site will be guided by the Local Planning Authority in accordance with approved planning and development guidance. This will seek to achieve a development of a quality that's sets the highest architectural standards and which provides energy efficient buildings, in furtherance of the aims of the Environmental Policy for Sandwell.

***Ambition 8 – Our distinctive towns and neighbourhoods are successful centres of community life, leisure and entertainment where people increasingly choose to bring up their families***

- The transformation of the Carrington Road centre through this redevelopment proposal will contribute to creating a more successful community centre. The removal of the long-term eyesore buildings and vacant land in this location will create a more vibrant centre for the local residents in Friar Park and offer a new environment to attract new residents into the area through the council house build. New retail units will also enhance the facilities

### **3 BACKGROUND AND MAIN CONSIDERATIONS**

- 3.1 The condition and appearance of the Carrington Road / School Road area has been a concern for a number of years. The area is blighted by shop units in various stages of disrepair. The dilapidation of these properties is detracting from the visual and environmental amenity of the local Friar Park area.
- 3.2 In 2010/11 the middle part of the parade, which was in full council ownership was demolished due to structural concerns. This has left two separate blocks one comprising of no's 38a / 38 / 40 Carrington Road and one comprising of 16a School Road / 18 School Road and 20 School Road. The Friar Park Social Club is adjacent to 38a Carrington Road. A separate consultation paper outlining the options for the Social Club has been presented to Directors and Cabinet Members. The Social Club will remain in situ but will be significantly improved.
- 3.3 The condition and appearance of the parade has been deteriorating further and Council intervention is required to ensure a comprehensive solution to improve the social, economic and environmental wellbeing of the Friar Park Ward. The fragmentation of long term ground leasehold interests (the Council owns the freehold interest in the land upon which the remaining shops are built) together with suppressed values have made it difficult to stimulate developer interest in the area which is why it is proposed to acquire the remaining interests, demolish these properties and redevelop the site for council house build along with a new retail block to serve the local community.
- 3.4 The council have already acquired the ground lease in respect of No. 16a School Road this was completed on 17 March 2017 and the council secured full ownership of 18 School Road at auction on 20 January 2015 (subject to tenancy) with vacant possession obtained following the surrender on 12 January 2016. This leaves a number of remaining ground leasehold interests to acquire as part of Phase 1:
- 38 Carrington Road – (Head Tenant)

- 38 Carrington Road – Newsagents (sub-tenant)
- 38b Carrington Road – Flat (sub-tenant)
- 38a Carrington Road – Florist (sub-tenant)
- 40 Carrington Road – (Lessee)

- 3.5 Due to the relatively good condition of 20 School Road it is proposed to leave this in situ as this will not impact on the delivery of a residential development but continue to operate as a Fish and Chip Shop. The council however do not own the freehold to 20 School Road and have not undertaken a valuation exercise, it is considered that adding 20 School Road into this project will affect timescales and costs negatively due to the need to find an alternative premise for the tenant which would prove problematic and incur a potential loss of earnings which the council would have to bear.
- 3.6 38 Carrington Road is subject to an occupational sub lease in favour of 3 businesses and for the residential accommodation at first floor level. It has been subdivided such that it now comprises, a very small lock up shop ('Petals a Plenty' florist) and a local convenience store (Lally's) and a 2 bedroom flat on the first floor (having a separate ground floor entrance).
- 3.7 In addition, but within the curtilage of the property is an annexed area which can only be accessed via the next door property (40 Carrington Road) and is let to that occupier as part of its demised business area.
- 3.8 40 Carrington Road comprises what was a butcher's shop and known as Lays Wholesale Meats (Lays), cutting rooms and preparation areas at the rear. These rear areas have been extended over time and yard areas encapsulated to create a space with collection of deep-freezers and chillers for the needs of the incumbent business. This meat packing business has been the subject of a number of longstanding complaints from existing neighbouring owners / occupiers in respect of noise and nuisance from deliveries received from the meat packing firm.
- 3.9 Consideration has been given to relocating the meat packing business within the new scheme however, the use is inappropriate within a residential area therefore it is recommended that the business is relocated.
- 3.10 A valuation report was undertaken in July 2017 in respect of the market value of the remaining leases including 38 / 40 Carrington Road. This has provided guidance on the likely costs of acquiring the premises.

- 3.11 These acquisition costs are on a willing vendor basis and the council will need to commence negotiations immediately. It is considered that the vendors will not be willing to sell given the minimal ground rent payable (due to the drafting of the original lease agreements) and the potential profit rent. This in effect increases the 'value' of the properties to the occupiers and it is likely that acquisitions will be higher.
- 3.12 Should acquisition by agreement fail then a further report will be presented to Cabinet outlining options and potentially seeking authority to enter into a Compulsory Purchase Order (CPO). It is considered at this stage that there would be sufficient justification in the public interest to interfere with the private rights and undertake a CPO. This is on the basis that the redevelopment proposal will improve the economic, social and environmental wellbeing of the area.
- 3.13 The redevelopment scheme will be delivered and constructed in 4 phases to ensure that the programme of works is efficient and council resources are maximised.
- 3.14 To the rear of the Carrington / School Road shops is an area of land known as Friardale Close. This linear piece of land was previously occupied by maisonettes, but it now vacant and subject to fly-tipping and anti-social behaviour issues. It is proposed that Phase 2 of the scheme will be the construction of 12 x 2 bed 3 person bungalows on Friardale Close. Given the location of Friardale Close, and its lack of main road frontage, special consideration needs to be given to the safety, security and quality of the bungalow scheme. In order to improve the outlook for residents occupying the bungalows it is recommended that improvements to the rear garden fences of properties in Bassett Road are undertaken and if possible and that extra consideration is given to the quality of the public realm through the closure of unnecessary access-ways, and additional street lighting / security measures where necessary.
- 3.15 It is proposed that Phase 3 of the delivery will be the construction of the new retail / apartment block to accommodate 225 sq m of retail with associated parking provision for this block. This will include space for the tenants of 38a / 38 Carrington Road which will need to be decanted into the new space following completion of the new block subject to new tenancies being agreed. The residential element will provide 4 x 2 bed 4 person flats.
- 3.16 If negotiations are successful and the remaining properties are in full council ownership then demolition of the properties will be programmed in as part of Phase 4, taking into consideration the need to decant the tenants of 38a / 38 Carrington Road into the new retail units that will be built as part of Phase 3. The tenants of 38 / 38a Carrington Road subject to new lease arrangements being agreed will re-located to the newly completed retail block.

- 3.17 Phase 4 will include the demolition of the remaining retail units and the construction of council residential properties fronting on Carrington Road / School Road which will be subject to a further Cabinet report.
- 3.18 The condition and appearance of the shops is poor and has been deteriorating over a number of years. Council intervention is required to remove this eyesore and ensure that a comprehensive regeneration solution is brought forward.
- 3.19 Construction costs have been determined for the re-provision of the retail units with no fit out and fitted out for the newsagents and florists respectively. It is advised that the retail units are fitted out in order to ensure that the businesses can continue to operate on the agreement of new leasehold terms with the local authority.
- 3.20 We do not have site investigations for the site and as such costs for poor ground conditions or contaminated ground issues have been excluded from the costs. Once a full Site Investigation has been carried out the budget estimates may require revising. Again, this applies to existing asbestos in buildings to be demolished. We have included for costs associated with assumed asbestos but a full demolition survey is required to determine the exact extent of the asbestos.
- 3.21 The approved Housing Revenue Account Business Plan (21 November 2013) includes a requirement for growth of a number of high quality council owned housing stock to replace stock lost under the Right to Buy. This scheme will in total provide 16 new council owned affordable homes that meet Building Regulations and current housing requirements.
- 3.22 It is envisaged that the works will commence on site Q3, 2018/19 subject to the completion of the procurement process, developer selection.
- 3.23 Sandwell's Housing Management Team have provided housing demand data in relation to bidding activity for different property types in the area which shows the demand for all proposed property types.
- 3.24 Allocation of the newly provided homes to the residents will be undertaken by Neighbourhood Services and in accordance with the Council's Allocation Policy
- 3.25 The completed properties will be managed within existing resources from Neighbourhood Services.
- 3.26 Accord Housing Association will manage and monitor grant funding from Homes England at a cost of £417 per unit. The cost to the Council of £6,672 will be funded through the Housing Revenue Account and Regeneration & Growth's existing revenue resources.

## **4 THE CURRENT POSITION**

- 4.1 No. 38a and 38 Carrington Road are occupied and appear to be trading well, providing a service to the local community. The residential accommodation above no. 38 is occupied. The building itself is in a poor state of repair, this is evidenced through the Schedule of Dilapidations (June 2016).
- 4.2 No. 40 Carrington Road is occupied and appears to be trading well. The building again is in a poor state of repair.
- 4.3 No 18 / 16 School Road are vacant and can be demolished subject to Cabinet approval.
- 4.4 The land between 42 Carrington Road and 18 School Road is vacant and fenced off with paladin fencing, however, it is subject to fly-tipping and also evidence of drug use has been found at the site.
- 4.5 Friardale Close is vacant and subject to fly-tipping.
- 4.6 Consultation with residents took place in October 2017 with the overall consensus from the local community in support of regenerating this underutilised area and providing an improved retail element along with much needed council homes.
- 4.7 The retention of the Friar Park Social Club was a priority and this has been addressed with a new investor now in place and operating the Social Club. This redevelopment project will help to sustain the Social Club by regenerating the vacant land and removing the dilapidated buildings and replacing them with a modern retail block and new housing to attract residents and potential customers into the local area.
- 4.8 Consultants are in place to progress negotiations with head tenants of long leaseholds subject to Cabinet approval.

## **5. CONSULTATION (CUSTOMERS AND OTHER STAKEHOLDERS)**

- 5.1 Consultation with residents took place in October 2017 at a local venue the Millenium Centre. The overall consensus from the local community is that they support the regeneration of this underutilised area if it provides an improved retail element along with much needed council properties.
- 5.2 Local residents would like a mix of bungalows, apartments and family housing which this project aims to deliver across the 3 phases this is supported by the housing need and demand evidence for the area.

## 6 ALTERNATIVE OPTIONS

### Option Analysis

#### **Option A – Do Nothing**

This is not advisable as the area will continue to decline, thus continuing to impact on council resources and not addressing the concerns and issues of this local community.

#### **Option B – Take enforcement action under the terms of the ground leases by issuing interim Schedule of Dilapidations by way of s.147 Notices under LPA 1925**

The council could enforce under the terms of the ground leases by issuing interim Schedule of Dilapidations by way of s.147 Notices under LPA 1925 in an effort to bring the properties back into a satisfactory of repair and reinstatement, however given the council's intention to demolish this may convolute potential negotiations and be further contrary to future CPOs. In addition, consideration should be had as to the buildings' remaining economic life, with the external opinion suggesting that the properties will have on-going maintenance and repair issues. A smaller residential scheme leaving the shops in situ would be delivered. Further complications would arise with this option by way of Lays requiring rear access to their property along with the continuation of noise and nuisance from the delivery vehicles impacting on the wider area. Therefore, this is not a viable option

#### **Option C – Dispose of the Site on the Open Market**

Due to the fact that there is only one site currently available for development this would be unattractive to the private sector as there will be considerable uncertainty regarding the remainder of the site. This would cause concern regarding the attractiveness of market sales properties.

The second phase of the scheme would incur the demolition costs of the existing shops and would make the scheme financially unviable. It is unlikely that any of the speculative house builders would be interested in developing rented shops and maintain a long-term commitment to the area. If the option to deliver the site totally as residential was pursued this would increase the difficulty in relocating the existing businesses as there is no other suitable rented shops in the area.

In order to bring forward the Phase 4 of the scheme all of the current leasehold interests need to be purchased to enable demolition and obtain a cleared site.

Given the uncertainty regarding the purchase by agreement and the possible requirement for CPO this option will not be attractive to the private sector as they do not have CPO powers therefore the project risks would be too high.

Option C discounted as it does not contribute towards the Council's aspirations of increasing Council owned affordable rented stock. It would also result in a greater financial loss than other options.

**Option D – Redevelop as affordable rented properties with a Registered Provider Partner with the assistance of Homes and Communities Agency (HCA) Grant**

Option discounted as it does not provide for growth in high quality Council owned homes and there is uncertainty as to whether a Registered Provider Partner would want to take on the development.

The same uncertainties as Option C regarding the remainder of the site would provide a level of risk that Registered Providers would be unwilling to consider.

**Option E – Redevelop as Council owned affordable general needs affordable rented homes.**

This would be a viable option but would not replace retail provision. The Council would not have the uncertainty of acquiring the long leaseholds and the site could then accommodate additional residential units. The Council would however have increased difficulty in acquiring the leasehold interests due to difficulty in re-locating some of the local businesses.

This option would be met with extreme local objection due to the loss of local services; losing these services would be contrary to the needs and aspirations of the local residents of the area and would open the Council to criticism.

**The preferred Option**

**Option F – Redevelop as Council owned affordable general needs rented homes with the assistance of Homes and Communities Agency (HCA) Grant and the re provision of rented shops.**

A number of potential design solutions have been considered to bring the site forward for beneficial use, and the most financially advantageous residential configuration for phases 2 and 3 is the provision of 16 units consisting of 12 x two bedroom bungalows, 4 x two bedroom flats and 225m<sup>2</sup> retail space.

The project will deliver the following financial benefits:

- New Homes Bonus.
- Additional Council Tax

Detailed financial modelling has been developed for Phase 2 based on the standard assumptions used by Homes England for affordable housing. The financing of the scheme would be through Prudential Borrowing (which would leave the council with a debt to carry over the repayment period and beyond) and the Homes England grant funding. This modelling shows that the debt that the council is exposed to peaks at around £4.0m but becomes a surplus around 43 years after initial borrowing and investment. In context of the overall value of the scheme, this 43 year payback period appears to be reasonable risk.

A further report will be taken through the Strategic Investment Appraisal process and a report presented back to Cabinet specifically outlining Phase 4 costings and project delivery at the appropriate time.

## **7. STRATEGIC RESOURCE IMPLICATIONS**

- 7.1 The project costs of acquiring the remaining long leaseholds (phase1) has been estimated based on the valuations of the remaining leases in an externally commissioned valuation report but does not include professional and legal fees.
- 7.2 The project costs of delivering the new council homes (phase2) and the retail units and flats (phase 3) has been estimated in advance of tendering. The figures include professional fees and supervision and support activities of project delivery.
- 7.3 If the bid for grant funding from the Shared Ownership and Affordable Homes Programme or any other programmes administered by Homes England is unsuccessful for phase 2 a further report will be submitted to Cabinet to consider further resources from the HRA reserves or any other funding sources that may become available.
- 7.4 As noted above, the HRA business plan approved by Cabinet in October 2017 includes £70 million for new build council homes over the next 3 years to 2020/21 and the building costs will be funded from this allocation. The estimated revenue capital financing costs and associated rent income and maintenance costs have been included in the HRA 30-year business plan.
- 7.5 The rents charged on the properties will be affordable rents, which are 80% of market rent. This is in line with the recommendations approved by Cabinet on 7 December 2016 whereby all new build properties rent will be set as an affordable rent.

7.6 The funding sources for the scheme are;

Phase 1 Housing Revenue Account  
Phase 2 Housing Revenue Account & Homes England Grant  
Phase 3 General Fund – Regeneration and Growth.

7.7 The increase in new homes will also allow the Council to claim additional government grant under the New Homes Bonus Scheme and result in additional income generation from Council Tax. This is estimated as follows:

New Homes Bonus	-	£ 22,565.87 (Note 1)
Council Tax	-	£ 14,375.22 per annum (Note 2)
<b>Total</b>	-	<b>£36,941.09</b>

**Note 1** The figure for NHB is the potential receipt that can be generated if the authority meets and exceeds its baseline additions figure set by Central Government and, therefore, cannot be guaranteed. NHB received for 4 years at present.

**Note 2** This figure assumes that the dwellings fall into property band A for council tax purposes and that the tenants are not subject to council tax relief.

7.8 Detailed financial modelling has been developed for phase 2 of this proposal based on the standard assumptions used by Homes England for affordable housing. The financing of the scheme would be through Prudential Borrowing (which would leave the council with a debt to carry over the repayment period and beyond) and Homes England grant funding. This modelling shows that the debt that the council is exposed to without grant becomes a surplus around 37 years after initial borrowing and investment. The modelling also shows that the debt that the council is exposed with a grant on an assumed figure per unit becomes a surplus around 23 years after initial borrowing and investment. In the context of overall value of the scheme, these payback periods appear to present a reasonable risk.

7.9 The site and the building 16a Carrington Road sits within the Housing Revenue Account and will need appropriation to the General Fund.

7.10 A full appraisal has been undertaken by Strategic Finance. The appraisal process recorded a score of 68%. Some risks have been identified as a result of the appraisal and action points recommended to mitigate these risks.

## **8. LEGAL AND GOVERNANCE CONSIDERATIONS**

- 8.1 There are no specific immediate legal or statutory implications arising from the proposal outlined in this report. However, on-going legal implications regarding the development of land or property will be addressed fully in accordance with legal requirements.
- 8.2 Pursuant to the Localism Act 2011 (S 1 – 7), Local Authorities have a general power of competence to do anything that individuals generally may do.
- 8.3 Advice will be taken from the Council's Procurement Strategy Officer and Legal Services to ensure that the Public Contracts Regulations 2015 and the council's procurement and contract rules are complied with.
- 8.4 Pursuant to Section 123 Local Government Act 1972, a Council may dispose of land provided it is for the best consideration that can reasonably be obtained. If it is proposed that it is to be sold for less than the best consideration, then Secretary of State's consent will be required. As there will be no sale of land and the land will be retained by the Council for the benefit of council housing State Aid will not apply.
- 8.5 An Equality Impact Screening Assessment has been completed and has not highlighted any equality issues.

## **9. EQUALITY IMPACT ASSESSMENT**

- 9.1 An Equality Impact Assessment screening exercise has been carried out and a full Equality Impact Assessment is not required.
- 9.2 Any new build will comply with regulations in relation to access for people with disabilities. The planning application process will ensure that the development complies with both the Equalities Act 2010 and relevant Building Regulations. Overall the scheme will have a positive impact on equality consideration.

## **10. DATA PROTECTION IMPACT ASSESSMENT**

- 10.1 This report does not relate to the collection of personal information and therefore a privacy impact assessment is not required.

## **11. CRIME AND DISORDER AND RISK ASSESSMENT**

- 11.1 The Corporate Risk Management Strategy (CRMS) will continue to be complied with throughout, in identifying and assessing the significant risks associated with this strategic proposal.

This includes (but is not limited to) political, legislation, financial, environmental and reputation risks. A project risk register has been compiled and will be reviewed and updated on a regular basis. The risk register is monitored by the Project Team. Based on the information provided it is the officers' opinion that for the initial risks that have been identified, arrangements are in place to manage and mitigate these effectively.

11.2 The current assessment has identified three "red" risk that needs to be reported at this stage.

- This is in relation to possible delays in obtaining planning permission owing to any objections to the development being received.
- Demolition costs increase.
- Unable to acquire long leasehold interests.

Actions have been put in place to mitigate these risks.

11.3 Any subsequent planning application for residential development will be referred to the Police Architectural Liaison Officer for review. However, it is considered that increasing activity in the area and removing a derelict site through the introduction of new homes would reduce the opportunity for crime, disorder and anti-social behaviour.

11.4 In the scheme design, emphasis will be given to improving lighting and using quality materials within the development. A clear focus on improving the street scene and providing additional street lighting to improve visibility on Friardale Close will be prioritised along with further public realm improvements.

## 12. SUSTAINABILITY OF PROPOSALS

12.1 The development of this site will be guided by the Local Planning Authority in accordance with approved planning and development guidance. This will seek to achieve a development of a quality that's sets the highest architectural standards. In addition, the new housing stock will be up to current Building Regulations and will provide high quality living accommodation that will be energy efficient and sustainable contributing to reduced living costs and better quality of life to the new Council tenants. All of which contributes to the aims of the Environmental Policy for Sandwell.

12.2 The proposal to bring forward a council house build project along with re-providing retail units on Carrington Road will add to the council's property stock. This will provide housing in line with the government's agenda for new homes and the creation of sustainable communities.

- 12.3 The construction of the scheme will be managed by Housing Partnerships Team and delivered by the selected developer. The construction and development costs associated with Phase 2 of the project will be met from within the Housing Revenue Account, by means of Prudential Borrowing and grant from Homes England subject to approval. The construction and development costs associated with the project will be met from within the Regeneration and Growth Capital.
- 12.4 The Phase 2 properties once completed will be managed and maintained by the Council and the associated costs will be met from within the Housing Revenue Account.
- 12.5 The income generated from the Phase 2 rent will also go back into the Housing Revenue Account.
- 12.6 The Phase 3 properties, the shops and flats above the retail units will be managed by Property Services and the income generated will go back into the General Fund.
- 12.7 The development of the site brings back into use a long- term derelict site, which has been an eyesore for some years and subject to frequent fly-tipping.
- 12.8 The new homes will be built to current Building Regulations which will be energy efficient and sustainable in the longer term.
13. **HEALTH AND WELLBEING IMPLICATIONS (INCLUDING SOCIAL VALUE)**
  - 13.1 The regeneration of the site will assist in the transformation of a dilapidated neighbourhood within Friar Park. Currently the buildings and the larger site are either vacant and under-utilised or in a very poor state of disrepair. Redevelopment of the sites with modern residential accommodation will improve the immediate area, public realm, street scene and the asset base of the borough by providing much needed affordable, high quality, energy efficient housing and local convenience and stores.
  - 13.2 The development of this scheme will support investing in businesses, people and jobs. It will also actively promote Think Sandwell with the inclusion of apprenticeships, training opportunities and community engagement within the contractual arrangements.
  - 13.3 This will result in creating sustainable communities, create wealth, tackle poverty, improve health and wellbeing and reduce certain types of anti-social behaviour and crime.

13.4 This redevelopment project will allow us to make best use of vacant Council owned land. This project will remodel redundant problematic space and improve an area within the heart of a deprived neighbourhood removing the liability and costs to the council for clearance of fly-tipping and maintenance.

#### **14. IMPACT ON ANY COUNCIL MANAGED PROPERTY OR LAND**

14.1 There are direct no links to the Corporate Landlord Strategy. However, the shops portfolio is now managed by property services under the General Fund and the acquisition of the remaining leaseholders and subsequent demolition will result in a loss of rental income. Subject to cabinet approval this will be mitigated by the development of the new retail units that will be held under General Fund to create a new rental stream.

14.2 The land contained within this report is in Council ownership and the majority is held within the Housing Revenue Account. There will be a requirement to appropriate the land required for the retail block and the associated flats from HRA to General fund.

14.3 The positive addition of new housing stock to the Council's asset bases in Wednesbury North Ward.

#### **15. CONCLUSIONS AND SUMMARY OF REASONS FOR THE RECOMMENDATIONS**

15.1 Neglect over time has led to the decline of a number of retail shop units which added to the vacant council land has contributed to on-going anti-social behaviour impacting on the lives of residents in this area

15.2 Following the introduction of greater flexibilities for local authorities the Council is now able to develop the site with circa 26 homes as part of the new strategic approach to provide more and better housing in the borough.

15.3 The development of this council site with new homes will result in the following benefits:

- Increasing the levels of high quality stock to replace units lost under right to buy through the HRA investment programme. (Minute no. 1/13 of the joint meeting of Strategic Resources and Jobs & Economy)
- Contributing positively to the financial position of the Council by generating New Homes Bonus and new Council Tax receipts.

- Developing fit for purpose accommodation.
- Increased good quality, energy efficient housing provision in the Borough
- Increasing the levels of new build Council housing stock within the Borough contributing to target forecasts.
- Re-developing areas of vacant land reducing the quantity of vacant land in the Borough and improve the image of the local built environment thereby supporting the aim of creating a safe and clean place to live.
- Linking to the work of Think Local and Find-it-in-Sandwell approaches that will offer significant employment and training opportunities as well as additional community benefits to the local economy, including working with local supply chains and use of local labour.
- Producing positive outputs for community safety through the redevelopment of a vacant site.

15.4 Council intervention and investment is required to tackle a derelict site and dilapidated shops within a local centre in the Friar Park Ward.

15.5 Private sector intervention has not been forthcoming to re-develop this site so council resources through the capital programme and Housing Revenue Account are required to bring forward a transformational redevelopment that will improve the area and deliver new retail units and new homes for local residents.

15.6 This redevelopment will help contribute to Vision 2030 aims and ambitions and address historic concerns and on-going problems faced by the residents of Friar Park.

15.7 In order to ensure that the project is delivered in a timely and resource efficient manner it is proposed that the redevelopment and delivery of the project will be carried out over 4 phases.

15.8 Phase 2 of the development to accommodate 12 council bungalows on Friardale Close will be initiated following cabinet authority to proceed with the project.

15.9 Negotiations to acquire the ground leaseholds for the remaining properties on Carrington Road Phase 1 will also commence following authority to proceed.

15.10A further report will be brought to Cabinet at a later date with detailed project design and costs for Phase 4 of the scheme redevelopment.

## **16. BACKGROUND PAPERS**

16.1 Report to the Cabinet Member for Strategic Resources and Jobs & Economy, 21<sup>st</sup> November 2013 - Minute no. 1/13 refers

16.2 Report to the Cabinet Member for Strategic Resources and Jobs and Economy, 29<sup>th</sup> October 2014 Changing the Housing Landscape in Sandwell (Key Decision Ref. No. C043) Minute no 75/14 refers

16.3 Report to The Cabinet, 6<sup>th</sup> April 2016 Changing the Housing Landscape in Sandwell Summary programme for Council House New Build (Key Decision Ref. No. REI021) Minute no 61/16 refers

16.4 Report to The Cabinet, 7<sup>th</sup> December 2016 Proposals for the review of the 2017/18 council tenant rents and housing related property charges (Key Decision Ref. No. LR24) Minute no, 204/16 refers.

16.5 Report to The Cabinet, 8<sup>th</sup> February 2017 Housing Revenue Account Business Plan 2017-20 Minute no 21/17 refers

16.6 Report to The Cabinet, 18<sup>th</sup> October 2017 Housing Revenue Account Funded Housing Investment Programme Minute no 167/17 refers

## **17. APPENDICES:**

Appendix 1 - Location Plan

Appendix 2 - Leasehold Plan

Appendix 3 - Proposed Layout Plan

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**Director Housing and Communities**